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PROTECTION

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD



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September 30, 2008

Ms. Gayle Erbe-Hamlin, Director
El Dorado County
Public Health Department
931 Spring Street
Placerville, CA 95742

RE: FINAL AUDIT REPORT – ENFORCEMENT ASSISTANCE
GRANTS: EA15-04-0001; EA16-05-0001; AND EA17-06-0047

Dear Ms. Erbe-Hamlin:

Enclosed is the final report on the audit of El Dorado County's Enforcement Assistance Grants EA15-04-0001, EA16-05-0001, and EA17-06-0047, awarded for the periods July 1, 2004, through June 30, 2007. Our audit included a review of receipts, expenditures, internal controls, and compliance with the grant agreement provisions.

If you have any questions regarding this report, please contact George Mendoza, Audit Manager, at (916) 324-1358 or gmendoza@ciwmb.ca.gov.

Sincerely,

Susan Villa, Branch Manager
Fiscal Services Branch
California Integrated Waste Management Board

Enclosure

cc: Gretchen Bailey, Finance Officer, El Dorado County
Michael Deatherage, Laboratory Director, El Dorado County
Corky Mau, Branch Manager, Grant & Loan Resources Branch, CIWMB
Michelle Martin, Supervisor, Grant Administration, CIWMB
Mary Berkowitz, Auditor, Audits and Evaluations Unit, CIWMB
CIWMB Audit Unit Files

A GRANT AUDIT

El Dorado County

Enforcement Assistance Grants

Final Audit Report

**Grants EA15-04-0001, EA16-05-0001
And EA17-06-0047**

**For the Periods July 1, 2004
through June 30, 2007**

**Prepared By:
California Integrated Waste Management Board
Audits and Evaluations Unit**

July 2008

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PREFACE

The California Integrated Waste Management Board awarded EA15-04-0001, EA16-05-0001, and EA17-06-0047 Enforcement Assistance Grants to El Dorado County. These grant agreements were funded by the Integrated Waste Management Account.

The grant agreements were as follows:

Grant Agreement	Amount	Audit Period
EA15-04-0001	\$17,916.05	July 1, 2004 – June 30, 2005
EA16-05-0001	\$18,462.49	July 1, 2005 – June 30, 2006
EA17-06-0047	\$18,463.78	July 1, 2006 – June 30, 2007

The objective of this audit was to determine El Dorado County's compliance with the grant agreements. The audit also assessed El Dorado County's compliance with fiscal and statutory requirements, as well as a review of internal controls.

This report is intended for the information and use of CIWMB and El Dorado County's management. However, this report is a matter of public record and its distribution is not limited.

STAFF:

Mary Berkowitz
Carl Coaxum
Matthew Lisonbee
Auditors

AUDITOR'S REPORT

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-25A
Sacramento, CA 95814

The Audits and Evaluations Unit conducted an audit of El Dorado County (County) Enforcement Assistance Grants. Public Resources Code, Section 48657, requires California Integrated Waste Management Board (CIWMB) shall conduct a selective audit of entities to determine whether grants and recycling incentives are being paid out properly. This audit report meets this statutory requirement and is intended for the information and use of CIWMB and County's management.

This audit included a review of receipts, expenditures, internal controls, and compliance with the grant agreement provisions for:

- EA15-04-0001, July 1, 2004, through June 30, 2005
- EA16-05-0001, July 1, 2005, through June 30, 2006
- EA17-06-0047, July 1, 2006, through June 30, 2007

To summarize the grant receipts and expenditures, prepared were Statements of Revenues and Expenditures for these agreements executed between CIWMB and County. These Statements were prepared from the County's records and is the responsibility of the County's management. The audit responsibility is to provide management reassurance on the propriety of grant payments as represented by these Statements.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide reasonable assurance as to whether the County is compliant with the requirements of the grant agreements. An audit includes examining, on a substantive and control test basis, evidence supporting sample amounts listed in the Statements and grant compliance disclosures.

As part of the audit, the County provided a management representation letter. This letter is to confirm County's representations provided to us explicitly or implicitly, indicate and document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding concerning the matters that are the subject of the representations.

Compliance

The Statements represents fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreement.

As part of obtaining reasonable assurance about whether the Statements are free of material misstatement, we performed tests of the County's compliance with certain regulations and the grant agreements. The results of our tests disclosed noncompliance with the regulations and the grant agreements requirement involving a separate account or subaccount for grant funds and accrued interest. These noncompliance matters are fully described in the accompanying Findings and Recommendations Section.

Management Controls

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures on the Statement and not to provide assurance on the internal control over financial reporting.

This report is intended solely for the information and use of CIWMB and County management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



Susan Villa, Branch Manager
Fiscal Services Branch
California Integrated Waste Management Board
(916) 341-6092

Sep 30, 2008

STATEMENT OF REVENUE AND EXPENDITURES

County of El Dorado
Enforcement Agency Grant EA15-04-0001
For the Period July 1, 2004 through June 30, 2005

	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
Revenue:			
State Grant	\$17,916.05	\$17,916.05	\$0.00
Plus: Earned Interest	0.00	\$ 41.75	\$41.75
Total Revenue	<u>\$17,916.05</u>	<u>\$17,957.80</u>	<u>\$41.75</u>
 Eligible Expenditures:			
Technical Services (Placer Contract)	\$17,916.05	\$17,916.05	\$0.00
Total Expenditures	<u>\$17,916.05</u>	<u>\$17,916.05</u>	<u>\$0.00</u>
 Amount Expenditures are Under Revenues	 <u>\$0.00</u>	 <u>\$41.75</u>	 <u>\$41.75 *</u>

* This amount represents potential revenue loss to El Dorado County. This is potential accrued interest that may have been earned had it been deposited into a interest bearing account. Since the grantees total expenditures, in addition to those audited, exceeded the grant funds received, the grantee most likely would have had claim to the accrued interest in addition to the grant funds received and therefore recoupment is not recommended.

The accompanying notes are an integral part of this statement.

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STATEMENT OF REVENUE AND EXPENDITURES

County of El Dorado
Enforcement Agency Grant EA16-05-0001
For the Period July 1, 2005 through June 30, 2006

	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
Revenue:			
State Grant	\$18,462.49	\$ 18,462.49	\$0.00
Plus: Earned Interest	0.00	\$ 73.26	\$73.26
Total Revenue	<u>\$18,462.49</u>	<u>\$ 18,535.75</u>	<u>\$73.26</u>
 Eligible Expenditures:			
Personnel - Administrative	18,462.49	18,462.49	\$0.00
Total Expenditures	<u>\$18,462.49</u>	<u>\$18,462.49</u>	<u>\$0.00</u>
 Amount Expenditures are Under Revenues	 <u><u>\$0.00</u></u>	 <u><u>\$73.26</u></u>	 <u><u>\$73.26 *</u></u>

* This amount represents potential revenue loss to El Dorado County. This is potential accrued interest that may have been earned had it been deposited into a interest bearing account. Since the grantees total expenditures, in addition to those audited, exceeded the grant funds received, the grantee most likely would have had claim to the accrued interest in addition to the grant funds received and therefore recoupment is not recommended.

The accompanying notes are an integral part of this statement.

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STATEMENT OF REVENUE AND EXPENDITURES

County of El Dorado
Enforcement Agency Grant EA17-06-0047
For the Period July 1, 2006 through June 30, 2007

	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
Revenue:			
State Grant	\$18,463.78	\$ 18,463.78	\$0.00
Plus: Earned Interest	0.00	\$ 190.89	\$190.89
Total Revenue	<u>\$18,463.78</u>	<u>\$ 18,654.67</u>	<u>\$190.89</u>
 Eligible Expenditures:			
Technical Services (Placer Contract)	\$10,796.71	\$10,796.71	\$0.00
Personnel - Administrative	<u>7,667.07</u>	<u>7,667.07</u>	<u>\$0.00</u>
Total Expenditures	<u>\$18,463.78</u>	<u>\$18,463.78</u>	<u>\$0.00</u>
 Amount Expenditures are Under Revenues	 <u><u>\$0.00</u></u>	 <u><u>\$190.89</u></u>	 <u><u>\$190.89</u></u> *

* This amount represents potential revenue loss to El Dorado County. This is potential accrued interest that may have been earned had it been deposited into a interest bearing account. Since the grantees total expenditures, in addition to those audited, exceeded the grant funds received, the grantee most likely would have had claim to the accrued interest in addition to the grant funds received and therefore recoupment is not recommended.

The accompanying notes are an integral part of this statement.

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NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

**El Dorado County
Enforcement Assistance Grant
EA15-04-0001, EA16-05-0001, and EA17-06-0047
For Audit Period of July 1, 2004 through June 30, 2007**

Note 1 Description of the Reporting Entity

El Dorado County (County), a political subdivision of the State of California governed by an elected Board of Supervisors, exercises the powers specified by the Constitution and statutes of the State. The County's reporting entity includes all significant organizations, departments, and agencies over which its Board exercises oversight and budgeting responsibilities. The County's Public Health Department had general responsibility for this grant project. The integrated waste management enforcement programs are primarily carried out through Local Enforcement Agencies and the California Integrated Waste Management Board serving as the Enforcement Agency (EA).

Note 2 Program Information

The California Integrated Waste Management Board (CIWMB) administers the California Solid Waste Disposal Regulatory Reform Act which includes the disbursement of Enforcement Assistance Grants from the Integrated Waste Management Fund.

The Legislature enacted the California Solid Waste Disposal Regulatory Reform Act (Public Resources Code Sections 43200 – 43222 and 43230 – 43232). The CIWMB Enforcement Assistance program awards grants to local enforcement agencies to assist in the implementation of solid waste facilities permit and inspection enforcement programs at the local level. The intent of the grant funds is to enhance the Local Enforcement Agencies' programs by providing funds to acquire additional equipment and supplies and provide training and technical support. Effectiveness of the program is measured by monitoring compliance of solid waste facilities and associated enforcement programs.

Note 3 Descriptions of Enforcement Assistance Grants

The County received a grant award in the amount of \$17,916.05 for EA15-04-0001, \$18,462.49 for EA16-05-0001, and \$18,463.78 for

EA17-06-0047, to protect public health, safety and the environment with regard to solid waste facilities within the County's jurisdiction. The grant terms covered the overall period July 1, 2004 through June 30, 2007. The County used the grant funds received to compensate Placer County for performing solid waste permitting and enforcement activities within the County. Because of Placer County's large size and staff resources, the County determined an arrangement between the neighboring counties to be cost effective.

Note 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The Statements presented in this report were prepared from the County's accounts and financial transactions. The Statement summarizes revenues and expenditures recorded by the County during the reporting period referenced in Note 3. It is further noted that the County did not record the financial transactions in accordance with the Procedures and Requirements of the Grant Agreement for EA15-04-0001, EA16-05-0001, and EA17-06-0047, which contain guidance for the grant.

The Statements summarize the County's transactions pertaining to EA15-04-0001, EA16-05-0001, and EA17-06-0047. They are not intended to represent all of the County's financial activities.

B. Basis of Accounting

The County's accounts are maintained on the modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred.

Note 5 Separate Accounting System for Grant Funds Requirement

During the performance of this audit, we observed that the County does not govern its Enforcement Assistance Grant Program in accordance with Exhibit B, Procedures and Requirements, for Grant Agreements EA15-04-0001, EA16-05-0001, and EA17-06-0047. Specifically, we noted that for the combined period July 1, 2004 through June 30, 2007, the County did not designate a separate fund account, or sub-account, for each of the grant funds. All grant funds and expenditures shared an account with the County's Public Health Department Laboratory's (Laboratory) funds and expenditures.

Note 6 Accrued Interest

During the performance of this audit, we observed that the County does not govern its Enforcement Assistance Grant Program in accordance with Exhibit A, Terms and Conditions, for Grant Agreements EA15-04-0001, EA16-05-0001, and EA17-06-0047. Specifically, we noted that for the combined period July 1, 2004 through June 30, 2007, grant funds were not deposited into an interest bearing account. In regards to potential accrued interest, the start date was estimated one week from date of advance payment to the date(s) expenditures were paid – the whole period that the funds may have been in an interest bearing account was considered.

FINDINGS AND RECOMMENDATIONS

During our audit of grant EA15-04-0001, EA16-05-0001, and EA17-06-0047, we identified a reportable observation requiring corrective action. The following recommendations will improve the County's fiscal control over grant funds.

Finding 1 Inadequate Audit Trail

Condition: The County's Solid Waste Facilities Permit and Inspection Enforcement Program expenditures, including all expenditures funded by Enforcement Assistance grant EA15-04-0001, EA16-05-0011, and EA17-06-0047, were accounted for within Index # 403210 (4330 Professional & Specialized Services) of the County's Laboratory general ledger. Grant funded transactions for the 2004-2007 fiscal years were not separated from the County's Laboratory revenue and expenditure transactions for the same period; the County failed to comply with the Grant Agreement or to provide an adequate audit trail for the grant funds.

Criteria: Grant Procedures and Requirements (Grant Agreement Exhibit B) require that the Grantee shall maintain a separate accounting system for the grant funds. Generally Accepted Accounting Principles provide general guidance and apply to all types of accounting transactions. Accounting information must be reliable, and transactions recorded into the accounting system must be verifiable by objective evidence.

Recommendations: (a) Utilize a project number or create a separate fund account, or sub-account, to track and reconcile grant revenue and expenditures.

(b) Ensure an adequate audit trail exists to allow reconciling the amount claimed to the general ledger and original invoices.

Finding 2**No Accumulated Interest on Advanced Funds****Condition:**

The County's Public Health Department did not accrue any interest for the Enforcement Assistance Grants EA15-04-0001, EA16-05-0011, and EA17-06-0047, because they did not deposit the advanced funds into interest bearing accounts.

Criteria:

Title 14, Division 7, Chapter 5, Section 18093.1(b) of the California Code of Regulations (CCR) and Exhibit A (Terms and Conditions for EA15, EA16, and EA17 LEA Grant Cycles) Item 36(c) state that "upon receipt of grant funds, the Grantee shall deposit and maintain until expended all grant funds in an interest bearing account."

Recommendations: (a) Deposit the advance payment into an interest bearing account when it is received. It should remain there until expenditures are paid.

(b) Do not invoice the County for the potential interest revenue since the grantee's total expenditures, in addition to those audited, exceeded the grant funds received. Thus, the grantee most likely would have had claim to the accrued interest in addition to the grant funds received.

EL DORADO COUNTY'S RESPONSE

El Dorado County did not provide a response.